

Realty Trust Review

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VOL. V, No. 3

VALUE GUIDE TO EQUITY REITS REVIEWED IN THIS ISSUE

Trust	Port. Yield	Lever. Ratio	Price	Div. Yield	Div. Reinv.	Page
C.I. Realty	16.44%	2.76	\$ 9.13	13.1% ^a	No	3
Cont. Illinois Prop.	10.93	0.94	11.75	12.2	No	4
Florida Gulf Rlty.	14.95	1.01	16.00	9.7	No	4
General Growth Prop.	17.05	2.91	13.75	7.3 ^a	Yes	8
GREIT Realty	16.91	3.40	7.13	16.8 ^a	No	5
Hubbard RE Inv.	11.22	0.02	17.25	9.0	Yes	5
Pennsylvania REIT	16.38	2.74	11.63	9.9	No	6
REIT of America	20.19	0.20	16.50	8.5	Yes	7
U.S. Leasing RE	15.40	1.65	15.50	12.1 ^a	Yes	7
Washington REIT	21.75	1.08	14.38	8.3 ^a	Yes	6
AVG.	16.12%	1.67		10.7%		

These measures are selected to aid investors. Averages for the measures are shown so each trust may be compared to the average. Portfolio yield is a general measure of risk to the investor, with highest yield typically the riskiest. Leverage ratio indicates a trust's ability to obtain external non-convertible funds, although recent financings or policy decisions may lower this ratio temporarily. Leverage is the ratio of all non-convertible debt to the trust's capital (equity plus convertible plus subordinated debt). Ratios above 3.0 are rare and may portend capital financing. ^a—Some portion of dividend is tax-exempt return of capital; see reviews.

Trusts making dividend reinvestment plans available to shareholders are indicated above. Further information is available from the trusts themselves. Statistical summaries for each trust reviewed show the trust's operating record for the four latest quarters.

ECONOMIC TRENDS NOW FAVORING REITS BUT ACCOUNTANTS, BANKS HOLD KEY CARDS

Economic trends are now running more strongly in favor of mortgage trusts than in months, yet bad news dominates the headlines and there's more uncertainty than ever about where REITs will go from here. This anomolous state of affairs bears some detailed examination because it bears so precisely upon your near-term investment policy.

Interest rates: Money rates are moving sharply lower and this is good news to all mortgage-type REITs. The evidence is everywhere: Treasury bill rates dipped to 6.95% for 3-month bills at last week's auction, lowest rate since last May, and the Chemical Bank's cut of the prime rate to 9¼% is likely only the first of a general move to lower prime rates. Commercial paper rates are down 1% or more since New Year's Day and paper rates should continue to follow Treasury bills. Since most large REITs depend upon the commercial paper market for much short-term financing (about \$3 billion in REIT paper is outstanding now), this move should widen spreads on borrowed funds for most large REITs dramatically in the months ahead.

KENNETH D. CAMPBELL, EDITOR AND PUBLISHER, BERNARD SOLAS, C.F.A., DIRECTOR OF RESEARCH / AUDIT INVESTMENT RESEARCH, INC., 230 PARK AVENUE, NEW YORK 10017

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Mortgage interest rates have joined the downward swoop, although this fact has not been appreciated or commented upon by most economic observers. The Home Loan Bank Board's weekly survey of rates turned up a big $\frac{1}{2}\%$ decline in FHA mortgage rates during the last week of January, triggered by a $\frac{1}{4}\%$ cut in the FHA rate at the demand of the National Assn. of Homebuilders (who'd sought a 7% rate with GNMA subsidies). Conventional mortgage rates have been much slower to follow the market down, largely because savers at S&Ls and other thrift institutions are shifting funds into $7\frac{1}{2}\%$ certificates, forcing S&Ls to keep their mortgage rates high to maintain their spread.

Housing markets: Not generally recognized is the extent to which REIT problem loans are being caused by a log jam in housing markets. Slow home sales and slow rentals of completed projects are blamed repeatedly as developers (and their REIT lenders) wrestle with consumer sluggishness. Consumers began balking at high mortgage rates last summer and then almost withdrew from the market in November and December when the frenzy over the energy crisis crested. Now there's evidence this consumer resistance is fading. Ryan Homes, a broad-based single family market housebuilder selling in 16 major metropolitan areas from Indianapolis to Albany, N.Y. to Atlanta, Ga. told us last week that its model house traffic on Sunday (the biggest selling day for builders) has doubled from the preceding week in all but one week since Dec. 23. Sales contract signings, which had been showing sharp negative comparisons, are rising. Now success by one builder doesn't make a housing boom but a gradual turnaround appears in the making.

We cite the good news first because the general news media have largely turned off to them. Your editor regularly grants interviews to the media because we believe it is necessary to get the clearest picture of REITs possible to investors. This week we were heartened by an upbeat article in The Wall Street Journal but saddened by the way reporters of other newspapers "tuned out" when we began outlining these favorable trends. The most comforting event has been the fact that even with a fresh spate of bad news, share prices of most REITs have held above their December lows, indicating sophisticated investors understand what is happening.

The bad news is that other groups now may have more to say about the future results of REITs than REIT managers. We speak of the commercial bankers and accountants. Here's how we see these two groups:

Accountants are toughening their auditing of REITs sharply, the movement being led by Peat, Marwick & Mitchell which audits the books of about 35 REITs, including many majors. PMM is auditor for both *Fidelity Mortgage Investors* and *First Wisconsin Mortgage Trust*, both of which reported they were making very large additions to their loss reserves last week. Fidelity added \$7.7 million to its provision for losses and as a result earned only \$3.3 million, or \$1.09/per share in fiscal 1973, ending in October, vs. \$3.12 the year before. About 25% of the trust's \$240 million portfolio has been placed on non-accrual status and the loss of income means the trust will not be able to consider dividends until fiscal 1975. First Wisconsin set aside \$7 million as a year-end loss reserve and as a result expects to report about \$1.9 million in income, or about \$1.00 per share, for calendar 1973, vs. \$2.83 per share. The 1973 results are subject to final audit, due about March 1. First Wisconsin omitted its dividend on Jan. 16 and the NYSE halted trading until last week's announcement, when the shares promptly fell from 24 to 10 (they have recovered to about 11 7/8).

Both First Wisconsin and Fidelity results depend in part upon appraisals of problem properties ordered by Peat Marwick, and the accounting firm is making clear it will appraise properties of other REITs identified as "problems". Accountants are growing increasingly wary of lawsuits and even prosecution for the financial statements they certify; hence their tougher new line raises the spectre of other large additions to loss reserves by REITs in the wings. Critics question the ability of accountants to value real estate, especially developmental real estate. Thus battle lines are drawn and again we urge care until the situation clarifies.

Banks are more diverse in their thinking and actions and the real problem appears to be that smaller or medium-sized banks outside money centers may react more to headlines than to facts about their REIT borrowers. The case in point involves *Dominion Mtg.*, a smaller, independent short-term trust which announced last week it was restricting new

commitments while its banks reduced lines from \$23.0 to \$21.3 million. Interviews with management trace the line reduction to some internal problems or concern by a single bank. Dominion's other line banks have expressed confidence after a thorough review (in fact Dominion turned down loan requests from Kassuba and Urbanetics, two major industry bankruptcy cases), and we expect some major banks to be added to Dominion's line in coming weeks. Here again reviving real estate markets should ease concern by these smaller banks.

Mergers are coming to the fore as consolidation devices. *Cabot, Cabot & Forbes Land Trust*, rebuffed in a formal merger proposal to *ICM Realty*, has now agreed to acquire about 56% of ICM shares from bank trust departments holding fiduciary responsibility for ICM shares. CC&F will offer other ICM holders 0.75 CC&F share for each ICM share to effect a full merger. *North American Mtg.* has agreed to acquire its sister trust, *Mortgage Growth Inv.*, by exchanging one NAMI share for 2.25 MGI shares. Both acquisitions would in effect let fairly highly leveraged trusts buy shares of unleveraged trusts, thus increasing their borrowing base. In the third merger, *Continental Illinois Properties*, an equity trust (see p.4) is exploring acquisition of *Continental Illinois Realty*, a sister short-term mortgage trust. This combination would create a major balanced trust which can operate across the investment spectrum, and which could also have a five-year record for investment and rating purposes. All are probably forerunners of many such combinations to come.

Equity trusts have the best property buying opportunity in years. More properties are for sale and high bidding, tax shelter interested syndicates have dried up. Inflation increases replacement costs but also raises operating expenses. This hurts without escalation clauses. Slower business conditions will impact many properties as shopping centers. A trend toward balance via construction lending could be risky for equity trusts not equipped with staffs. There is no substitute for time and care in selecting and maturing properties, thus some older trusts have outperformed newer to date.

C.I. REALTY INVESTORS (9½--NYSE-CIX) FY Feb. 28/29

Quar.	Port.	Port.Yld.	Cap.Ret.	Cash Flow	Div.	-Price Range-
2/73	\$213.7M	14.41%	7.56%	\$0.36	\$0.32	\$20.38-18.00
5/73	225.6	15.85	7.90	0.25	0.30	17.25-10.25
8/73	204.2	16.10	6.03	0.15	0.30	13.25-11.25
11/73	210.5	16.44	5.32	0.125	0.30	15.00- 7.50

Portfolio dynamics: Current portfolio is 74% equity and real estate joint ventures; 16% mtg.; 10% GNMA. Equity investments include: 27 apartment complexes with 6,961 units; 3 N.Y. office buildings (485 Lexington Ave.; 750 Third Ave.; 441 Lexington Av.) with a total of 1.497M sq.ft.; 1 shopping center with 463T sq. ft. in Grandview, Missouri. The apartment complexes located in 16 states (mainly purchased from Multicon Properties Inc.) currently are operating at a 93.6% occupancy rate. In May of 1973 Draper & Kramer, Inc., a national property management firm, took over on-site management of the complexes, a move by the trust to improve the operating efficiency of the apartments. Two N.Y. buildings, 485 Lexington Ave. and 750 Third Ave., were acquired from the estate of the late Percy Uris for \$25.7M in cash and a gross investment of \$47.6M. The 750 Third Ave. building has 686T sq. ft. and is currently 89% occupied while the 485 Lexington Ave. building has 733T sq. ft. and is presently 99% occupied. The trust purchased the 441 Lexington Ave. building in November of 1973 for \$650T cash and a total purchase price of \$2.65M. The building has 78T sq. ft. and is now about 93% occupied. Trust management expects that new equity investments in 1974 will be in the apartment and office building area. Presently the average yield on mtg. investments is about 10% since the majority of these loans have fixed rates. On December 19, 1973 the trust sold its investments in GNMA certificates at a loss of \$1.3M. Management said it made the sale because carrying costs of the GNMA's were greater than the income received. Bank debt will be reduced with sale proceeds. Financing: Trust is funded 73% by non-convertible debt and 27% by capital. Capital of \$58.0M is all equity with 2.61M shares. Debt of \$159.8M is 62% mtg.; 24% bank notes; 14% term loans. Sponsor: City Investing Co., a conglomerate. Results & outlook: Mgmt. projects a net loss of about \$621T after the

\$1.3M GNMA loss in FY '74, ending this month. The outlook for the next year looks significantly better due to the improved rental picture in the apartment holdings and the New York office buildings and the elimination of the low yielding GNMA's. The shares selling at about one-half of book value have longer-term appreciation potential based on the better outlook for the coming year. Payout has some tax exemption. (VCK)

CONTINENTAL ILLINOIS PROPERTIES (12½--NYSE-CIE) FY Oct. 31

Quar.	Port.	Port.Yld.	Cap.Ret.	Cash Flow	Div.	-Price Range-
1/73	\$150.0M	9.65%	6.04%	\$0.34	\$0.35	\$23.75-19.75
4/73	162.7	9.89	6.27	0.35	0.36	23.00-17.25
7/73	159.4	10.27	6.29	0.36	0.36	18.50-13.25
10/73	164.2	10.93	6.79	0.38	0.36	17.50-13.00

Portfolio dynamics: The current portfolio is 62% rental properties, 19% properties under development and 19% mtg. Investments by category are: 46% completed apartments; 14% completed shopping centers; 15% mtg.; 11% uncompleted apartments; 9% uncompleted shopping centers; 3% long-term mtg.; 2% industrial parks and office buildings. These investments are located in 12 states with heaviest concentrations in Calif. and Texas. Apartments: Completed apartments consist of 13 recently completed projects with 4,513 dwelling units. All but three projects have a guaranteed cash flow agreement continuing for at least another year. Most are in various rent-up stages and thus overall occupancy figures would be misleading. Management states that rent-up is proceeding satisfactorily in all but two projects. Of five apartment projects under development, the trust has orally rescinded its purchase agreement on two projects and is to purchase the other three (one is 100% complete, the others are 80% complete) once the properties are free of any liens. Shopping centers: Trust owns 3 shopping centers located in Los Angeles and Woodland Hills, Calif. and Peru, Ill., plus the promenade of another just completed center. New investments will be in the shopping center and apartment market. Trust has a continuing relationship with a smaller private L.A. shopping center builder giving the trust an option to buy completed centers. Trust also has an option for a 25% interest in a Md. apartment complex which should be completed in later 1974 or early 1975 for a preferential rate of return. Financing: CIE is funded 52% by capital and 48% non-convertible debt. Capital of \$113.1M is all equity with 4.81M shares. Debt of \$106.0M is 52% short-term bank notes and 48% long-term notes. Sponsor: Continental Illinois Corp., parent of Continental Ill. National Bank and Trust Co., ninth largest U.S. bank. Results & outlook: On January 31, trust mgmt. announced proposed acquisition of Continental Illinois Realty, a short-term mtg. trust. The acquisition is being planned to form a diversified trust through a tax free exchange of shares. Exchange ratios and other terms have not been set. The pending acquisition makes an investment recommendation on CIE difficult due to the potential altered nature of the new trust. (VCK)

FLORIDA GULF REALTY TRUST (15 3/4--OTC-FGLFS) FY Apr. 30

Quar.	Port.	Port.Yld.	Cap.Ret.	Cash Flow	Div.	-Price Range-
7/73	\$35.3M	14.59%	9.89%	\$0.41	\$0.39	\$19.25-16.25
10/73	35.0	14.95	9.26	0.39	0.39	18.25-15.50

Portfolio dynamics: Trust commenced operations on May 3, 1973. Current portfolio includes 13 shopping centers with a total of 1.922M sq. ft. and eight office buildings having 105T sq. ft. All properties are located in Florida except one shopping center in Richmond, Va. The average occupancy level at the shopping centers is currently about 100% and the occupancy rate for the office buildings is nearly 100%. Trust is adding a building (fast food operator) to the Richmond, Va. shopping center. Though the trust is reviewing possible equity investments no firm commitments are presently outstanding for any new equity investments. Financing: Trust offered 965T shares at \$20.00 per share on Apr. 26, 1973 thru DuPont Gloire Forgan. Trust is currently funded 50% by capital and 50% by non-convertible debt. Capital of \$17.6M is all equity with 975T shares. Debt of \$17.8M is 50% bank loans and 50% mtg. Sponsor: LR Management, Inc., the adviser is 85% owned by Loeb, Rhoades & Co., a brokerage firm, and 15% owned by Joseph S. Lesser, managing trustee of the trust and a partner of Loeb, Rhoades & Co.

Results & outlook: Trust's primary earnings and cash flow per share were hurt in the Oct. qtr. by higher interest on short-term debt. This underscores the risk inherent in trust's policy of funding long-term equity investments with short-term bank loans. Trust's shopping centers should not suffer from the energy crisis because all but 2 are either community or neighborhood shopping centers presently almost fully leased with major lease renewals several years away. Percentage rentals from these centers have also been rising. The office buildings are nearly fully leased though some major renewals are due in 1974. Use of short-term debt to fund its equity investments carries the risk of adverse impact on earnings if and when cost of funds exceeds return on investments. Shares currently selling about 16% below book value may be reflecting this risk and lack of forward commitments. (VCK)

GREIT REALTY TRUST (7 1/8--ASE-GRT) FY Oct. 31						
Year	Port.	Port.Yld.	Cap.Ret.	Cash Flow	Div.	-Price Range-
10/70	\$33.8M	14.14%	12.54%	\$2.15	\$1.575	\$19.25-15.00
10/71	36.5	13.83	10.28	1.93	1.60	21.75-16.50
10/72	47.4	14.30	10.56	1.64	1.60	19.00-16.13
10/73	59.9	16.91	9.60	1.44	1.30	18.38- 7.63

Portfolio dynamics: The portfolio is 93% real estate and 7% mtg. Real estate investments consist of 3 shopping centers; 13 apartment buildings; 7 office buildings, land leased under 1 shopping center, 2 apartments and a phase of an urban development center. Investments are located in 8 states. During 1973 the trust sold the Franklin Simon Bldg. in N.Y. City for a profit of \$238T. In February, 1973 the trust took possession of 10 apartment buildings in southwest Houston. Trust has abandoned one building at a loss of \$240T. The remaining buildings are still in negative cash flow but occupancy rates are improving and trust anticipates a break-even situation by the end of 1974. Three of the properties in the portfolio (2 apartments and 1 office buildings) are limited partnerships with Dayton Properties Co. In the mtg. portion of the portfolio, 2 land development loans amounting to \$600T are in default and are being foreclosed. **Financing:** Trust is funded 77% by non-convertible debt and 23% by capital. Capital of \$13.6M is all equity with 998T shares. Debt of \$46.1M is 91% mtg. and 9% bank loans. **Sponsor:** Independent. **Results & outlook:** Trust recently reported fiscal 1973 earnings of \$0.38 per share (incl. \$0.24/sh. gain on sale of real estate and \$0.24/sh. loss on real estate abandoned) vs. \$1.16 per share in fiscal 1972, a decrease of 67%. Trust's poor results are due mainly to problems related to the Houston apartment properties. The Houston situation likely will hold back earnings and cash flow in 1974 but will not be as serious as in 1973. Earnings and dividends should recover moderately in 1974 and the shares of trust selling at almost half of the \$13.58 book value have speculative recovery potential. About 61.7% of 1973 dividend was return of capital. (VCK)

HUBBARD REAL ESTATE INVESTMENTS (17 1/2--NYSE-HRE) FY Oct. 31						
Quar.	Port.	Port.Yld.	Cap.Ret.	Prim. EPS	Div.	-Price Range-
1/73	\$95.4M	11.23%	8.44%	\$0.38	\$0.38	\$21.63-19.63
4/73	95.3	11.24	8.51	0.39	0.38	21.63-19.50
7/73	94.7	11.15	8.50	0.39	0.39	21.38-18.50
10/73	94.3	11.22	8.57	0.39	0.39	20.25-18.00

Portfolio dynamics: The latest portfolio is 72% buildings; 17% land and 11% mtg. The majority of real estate investments are net leased properties for which the trust has neither management nor operating responsibilities. Real estate investments consist of 66 net leased properties located in 22 states with the biggest concentration in Calif. and Ohio. Properties by category are: 42 food chain stores; 13 department stores; 13 department stores; 7 industrial distribution centers; 3 industrial service centers (land only); 1 corporate office and research facility. Tenants and their percentage of properties include: W.T. Grant (28%); Safeway (22%); Ashland Oil (21%); Chrysler (21%); Broadway-Hale (5%); Alpha Beta Acme Markets (2%); International Harvester (1%). Recently the trust invested \$95T in a form of a mortgage on a Rich's Inc. department store and during fiscal 1974 trust plans to invest in excess of \$700T in other

stores in this chain. Trust retains all funds from depreciation for reinvestment.

Financing: HRE is funded 98% by capital and 2% by non-convertible debt. Capital of \$93.8M is all equity with 4.00M shares. Debt of \$2.0M is unsecured bank notes.

Sponsor: Trust is advised by Hubbard, Westervelt & Mottelay, a subsidiary of Merrill Lynch, Pierce, Fenner & Smith Inc., largest U.S. brokerage firm. Results & outlook:

With the depreciation charge beginning to level off earnings and dividends should benefit modestly. Since trust's borrowings are minimal & depreciation used for new investments, interest rate changes have minor effect on results. Quality of properties and tenants is good, insuring a steady income stream with very moderate growth. Shares selling at about 20% below book value provide adequate yield and low price volatility.

(VCK)

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST (11 7/8--ASE-PEI) FY Aug. 31

Year	Port.	Port.Yld.	Cap.Ret.	Cash Flow	Div.	-Price Range-
8/70	\$55.6M	16.13%	12.59%	\$1.22	\$0.80	\$12.00- 9.50
8/71	54.7	16.25	12.26	1.24	0.85	13.50-10.50
8/72	57.8	16.22	11.73	1.36	0.90	15.00-11.50
8/73	65.8	16.38	11.81	1.56	1.05	13.75-11.25

Portfolio dynamics: The latest portfolio breakdown by type of investment is 37% apartments; 34% shopping centers & retail stores; 9% motel; 7% industrial properties; 5% land & construction-in-progress; 3% office buildings. There are currently 36 properties consisting of 18 shopping centers, 11 apartments, 5 industrial buildings, 1 motel and 1 office building. Overall occupancy in the shopping centers is about 99% while the occupancy rate for the apartments on average is about 97%. All industrial buildings are fully leased. Trust's development activity is progressing well. A shopping center outside Lancaster, Pa. is currently under development with 2 major tenants negotiating for leases. Most joint venture agreements in the trust's development activities have been structured so trust gets all cash flow until it has recovered its investment. Financing: Trust is funded 26% by capital and 74% by non-convertible debt. Capital of \$17.7M is 90% in equity with 1.51M shares and 10% in 6 3/4% subor. convt. debent. Debt of \$50.3M is 80% mtg.; 19% bank notes and 1% subor. debt. Sponsor: Trust is self-administered. Results and outlook: Steady gains in portfolio and portfolio yield have enabled trust to increase both earnings and dividends. Quality of properties plus trust's development activities should produce moderate but steady gains in 1974. Trust's conservative investment approach should also insure continued quality of new properties although development activities increase risk. Shares are selling at a modest premium over book, offer adequate yield without any tax shelter and have moderate longer-term appreciation potential.

(VCK)

WASHINGTON REAL ESTATE INVESTMENT TRUST (14 1/8--ASE-WRE) FY Dec. 31

Year	Port.	Port.Yld.	Cap.Ret.	Cash Flow	Div.	-Price Range-
12/70	\$28.0M	20.74%	13.06%	\$0.95	\$0.82	\$11.25- 8.00
12/71	28.7	20.41	12.65	1.07	0.96	12.88-10.00
12/72	26.4	22.27	11.84	1.10	0.98	14.13-11.00
9Mo. 9/73	26.5	21.72	12.30	0.98	1.12*	16.00-12.00*

*For full year 1973.

Portfolio dynamics: A pure equity trust, WRIT is 100% invested in real estate properties. At Sept. 30, 1973, the 15 real estate properties consisted of 8 apartments, 3 shopping centers, 3 office buildings and 1 office/apartment building. All properties are located in and around the Wash. D. C. area. In Oct. '73 the trust acquired a 31T sq. ft. warehouse in Wash. D.C. for about \$450T. The facility is leased to Stern Office Furniture. In mid-Dec. '73 a shopping center in Springfield, Va. was bought for 55,597 shares of the trust. Apartments are all high-rise units in medium to higher rent ranges. According to management the vacancy factor in the apartment properties is under 1.5% not including turnover, (with turnover it is under 2.0%). The shopping centers and office buildings are fully leased. There are no firm commitments for new equities presently but new investments would be made in similar area and property types as presently held. Financing: Trust is funded 48% by capital and 52% by non-convertible debt. Capital of

\$14.5M is 97% equity with 1.38M shares and 3% of 6 3/4% convt. subor. debent. Debt of \$15.7M is all mtg. Sponsor: Independent, trust is managed by its trustees. Results and outlook: Though final year end figures are not available we estimate earnings for the full year 1973 will be \$1.10 per share and that net cash flow equaled about \$1.30 per share, vs. \$0.91 net and \$1.10 cash flow. The trust recently raised its quarterly dividend to \$0.30 per share or an annual rate of \$1.20 for 1974. Quality of trust's investments should insure growth in earnings and dividends and a conservative acquisition policy accents quality. The voluntary rent control program now in effect in Wash. D.C. is much less stringent than Phase II and should enable trust to increase its rental income. Shares selling above book value have had a positive total return (see RTR Jan. 14 '73) for the past four years. The shares are a sound holding for good yield and capital appreciation potential. Some payout part is tax exempt. (VCK)

U.S. LEASING REAL ESTATE INVESTORS (15 3/4--ASE-USE) FY Dec. 31

Quar.	Port.	Port.Yld.	Cap.Ret.	Cash Flow	Div.	-Price Range-
12/72	\$61.6M	14.28%	8.21%	\$0.43	\$0.43	\$21.00-19.13
3/73	64.1	14.73	8.69	0.45	0.44	21.75-18.50
6/73	67.9	15.22	9.21	0.46	0.45	19.75-16.75
9/73	74.5	15.40	9.51	0.47	0.46	19.13-16.63

Portfolio dynamics: Total fundings rose 16% in the last two quarters, mostly from a 32% gain in short-term loans while property climbed 8%. During 1974, mgmt. will aim for an 8% increase in property holdings and about 30% in construction loans. Funding for the latter hinges on availability of bank loans which looks good right now. Portfolio was 62% equity, 38% construction loans. The most recent mix of the equity portfolio was 63% office buildings and related land, 17% land, 6% apartments and 14% other. Geographic distribution was 39% in the West, 38% South, 20% Midwest and 4% East. Occupancy is over 95% in all properties. Construction loans were more diverse by type: 34% office buildings, 27% apartments, 15% land, 6% shopping centers and 18% other. These are located mostly in the South 43%, followed by the Midwest with 32% and the West, 21%. Some 75% of new construction loans float with prime, others being limited by state usury laws. Although small and not institutionally affiliated, the trust prefers to be the lead lender providing in-house screening and monitoring. No problem loans but an acquired industrial property was written down \$100,000. Financing: Trust is 38% capital, 62% non-convertible debt. Capital is \$29.3M equity, 1.35M shares. Warrants @25 are also 1.35M. No public financing next six months. Sponsor: U.S. Leasing Int., a major industrial lessor. Results and outlook: Equity investments have gone beyond original properties of bank office buildings but are still carefully, conservatively chosen. Accent is in small and medium sized cities. Full time staff member now checks property management and leasing. Construction lending is along relatively conservative lines, 4% over prime. Modest but consistent growth expected over the year. Shares offer good value with equity derived portion of dividends having high degree of confidence. About 27% div. tax free. (BS)

REAL ESTATE INVESTMENT TRUST OF AMERICA (16 1/2--ASE-REI) FY Nov. 30

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price Range-
2/73	\$38.4M	14.55%	6.42%	\$0.33	\$0.35	\$19.13-17.88
5/73	37.4	15.61	6.47	0.32	0.35	18.75-15.63
8/73	38.6	14.65	7.09	0.37	0.35	16.88-15.25
11/73	38.6	20.19	6.58	0.35*	0.35**	19.75-15.00

*Excludes capital gain of \$0.23 during FY 1973.

**Excludes \$0.18 capital gain dividend paid for entire FY 1973.

Portfolio dynamics: Latest portfolio is 99% real estate and 1% mtg. Trust real estate investments consist of 41 properties located in 12 states with concentrations in Calif. and Mass. Sources of rental income in 1973 by type of property were: office buildings 31%; shopping centers 31%; light industrial 19%; other retail 12%; ground rents 6%; apartments 1%. During fiscal 1973 trust sold 3 properties and bought 2 office building in Texas. A Bullock Dept. store was opened at the Broadway Shopping Center in Walnut Creek, Calif. in Nov.'73 adding more appeal to this once troubled holding. The

Sacramento shopping center is being worked on with trust looking for new tenants and planning an expansion program but the holding is still in the process of recovering. Trust has no firm commitments for new properties. Financing: REI if funded 84% by capital and 16% by non-convertible debt. Capital of \$34.8M is all equity with 1.63M shares. Debt of \$6.9M is all mtg. Sponsor: Independent. Results & outlook: The improvement in the Walnut Creek shopping center and the progressing recovery of the Sacramento shopping center should aid earnings and dividends in 1974. Trust is managed conservatively and has low leverage. The shares selling about 25% below book value have longer term appreciation potential. (VCK)

GENERAL GROWTH PROPERTIES (13 3/4--NYSE-GGP) FY Sept. 30

Quar.	Port.	Port.Yld.	Cap.Ret.	Earn./Sh.	Cash Flow/Sh.	Div.	-Price Range-
3/73	\$144.0M	17.25%	14.88	\$0.20	\$0.22	\$0.21	\$23.00-17.25
6/73	145.6	17.17	14.98	0.20	0.23	0.22	19.00-14.00
9/73	151.5	17.05	16.07	0.21	0.26	0.23	20.25-15.88
12/73	NA	NA	NA	0.21	0.27	0.25	19.38-11.75

Portfolio dynamics: Holder of one of the largest portfolios among REITs, General Growth is a developmental-type REIT. That mean that trust undertakes to buy vacant land and, through its contracting and management companies, develop completed income producing properties, mainly enclosed-mall shopping centers. During fiscal 1972, the trust purchased 19 office buildings in Calif., Airz., and other Western states, nearly all leased to IBM or AllState Insurance, and six Holiday Inns in Maryland, N.Y. and Pennsylvania. At the beginning of 1973 GGP acquired 1,500 apartments, commercial properties and unimproved land in the Detroit area for cash. While these acquisitions have given GGP a portfolio diversified from coast to coast, the major investment attraction remains its shopping centers. At the end of FY 1973, a total 16 centers were in operation with GGP ownership of 4.33 million sq. ft., and another six centers in development would add 2.11 million sq. ft. Gross retail sales at operating centers reached record levels during November and December, after the first impact of the energy crisis was felt, and this trend apparently continued through January. Anchor tenants in GGP centers include Sears Roebuck (7 centers); Yonkers and F.W. Woolworth (5 centers each) and Montgomery Ward and J.C. Penney (4 centers each). Centers are located generally in the Midwest, with 11 of the 22 centers operating or under development in Iowa, GGP's home base, and others in Kansas, Michigan, Arkansas, Texas, Colorado, Illinois, and S. Dakota. Financing: Total funds of \$162.0 million are about 26% capital and 74% non-convertible debt. Capital is \$31.2M equity and \$10.3M of convertible debentures. Debt is about 80% long-term mtg., 20% construction and other short-term loans. Sponsor: The Bucksbaum family, which owns the trust adviser, contractor and property manager plus 10.3% of trust shares, and Yonker Brothers, Inc., Des Moines department store operator and owner of about 13.0% of trust shares. Results & outlook: Earnings rose 40% in FY 1973 to \$0.77 per share and cash distributions gained 41% to \$0.86 per share, with 68.4% being tax exempt as return of capital and 5.9% a capital gains distribution. With retail sales continuing strong and with two centers slated to add 500T sq. ft. of space this year, the trust is projecting about a 22% gain in EPS and distributions (to about \$1.05/sh.) for FY 1974. Tax shelter, deriving from construction costs, should be maintained near current levels. The shares represent a quality equity commitment for longer-term growth. (KDC)